

World Rank: **37**

Regional Rank: **20**

Norway's economic freedom score is 69.4, making its economy the 37th freest in the 2010 *Index*. Its overall score has decreased by 0.8 point since last year, reflecting declines in four of the 10 economic freedoms, including freedom from corruption. Norway is ranked 20th out of 43 countries in the Europe region, and its overall score is well above the world and regional averages.

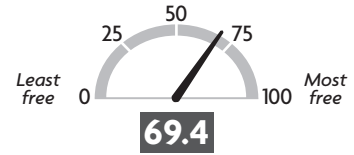
Scoring fairly well in many of the 10 economic freedoms, the Norwegian economy enjoys vibrant entrepreneurial activity and high levels of prosperity. The country has a strong tradition of openness to global trade and investment, and transparent and efficient regulations are applied evenly in most cases.

Norway's overall economic freedom is limited by the lack of fiscal competitiveness, the large presence of the government in the economy, and labor market rigidity. The government has focused on containing expensive welfare programs in recent years, but government spending still remains more than one-third of GDP. The state still owns around 50 percent of all industries, including enterprises in manufacturing, telecommunications, hydroelectric power, and transportation. While the corporate tax rate is moderate, personal income taxes are very high, and the overall tax burden is considerable.

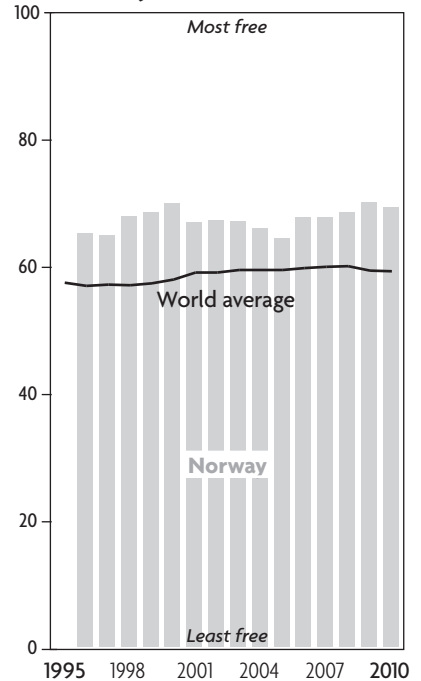
BACKGROUND: Norway is one of the world's most prosperous countries, and levels of productivity are high. However, its privatization agenda has stalled recently. Fisheries, metal, and oil are Norway's most important commodities. The government continues to save a large portion of its oil revenues in investment funds outside of the country as insurance against depleting reserves. Norwegian voters have rejected membership in the European Union in two referenda. Instead, the country maintains close economic interaction with EU members under the European Economic Area agreement. Norway has been a member of NATO since 1949.

NORWAY

Economic Freedom Score



Country's Score Over Time



Quick Facts

Population: 4.8 million

GDP (PPP): \$277.3 billion

2.0% growth in 2008

2.5% 5-year compound annual growth

\$58,138 per capita

Unemployment: 2.5%

Inflation (CPI): 3.8%

FDI Inflow: -\$95 million

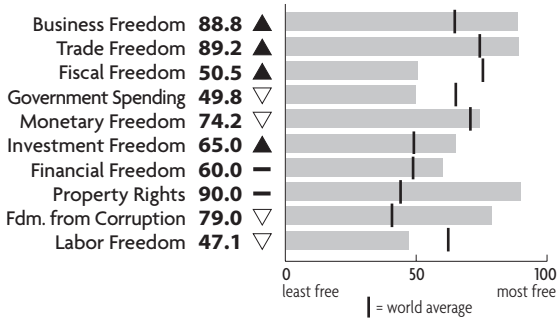
2008 data unless otherwise noted

Data compiled as of September 2009

How Do We Measure Economic Freedom?

See page 457 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

NORWAY'S TEN ECONOMIC FREEDOMS



BUSINESS FREEDOM — 88.8

The overall freedom to start, operate, and close a business is strongly protected under Norway's regulatory environment. Starting a business takes an average of seven days, compared to the world average of 35 days. Obtaining a business license requires less than the world average of 18 procedures. Bankruptcy proceedings are relatively simple and straightforward.

TRADE FREEDOM — 89.2

Norway's weighted average tariff rate was 0.4 percent in 2008. Some import bans and quotas, restrictions in services markets, import licensing requirements, restrictive pharmaceutical and biotechnology policies, agriculture and manufacturing subsidies, and inconsistent enforcement of intellectual property rights add to the cost of trade. Ten points were deducted from Norway's trade freedom score to account for non-tariff barriers.

FISCAL FREEDOM — 50.5

Norway has a high income tax rate and a moderate corporate tax rate. The top income tax rate is 47.8 percent, and the flat corporate tax rate is 28 percent. Other taxes include a value-added tax (VAT), a tax on net wealth (reduced from a two-tiered system as of January 1, 2009), and a number of environmental taxes. Petroleum companies' profits are subject to a different tax scheme. In the most recent year, overall tax revenue as a percentage of GDP was 43.4 percent.

GOVERNMENT SPENDING — 49.8

Total government expenditures, including consumption and transfer payments, are relatively high. In the most recent year, government spending equaled 40.9 percent of GDP. The 2009 budget included some tax-relief measures for corporations as part of a larger stimulus package.

MONETARY FREEDOM — 74.2

Inflation has been low, averaging 2.9 percent between 2006 and 2008. The government regulates prices for agriculture products, sets maximum prices for pharmaceuticals, influences prices through state-owned enterprises and utilities, and subsidizes agriculture and manufacturing. Fifteen points were deducted from Norway's monetary freedom score to account for policies that distort domestic prices.

INVESTMENT FREEDOM — 65

Foreign and domestic investments are treated equally under the law, but regulations, standards, and practices often favor Norwegian, Scandinavian, and European Economic Area investors, and the government may screen investments to ensure that they are in the public interest. The state continues to play an important role in the economy and restricts investment in sectors in which it has a monopoly and sectors that are considered politically sensitive, such as fishing and maritime transport. Regulations and bureaucracy are generally transparent and efficient, but regulations can change suddenly. Residents and non-residents may hold foreign exchange accounts. There are no restrictions on payments, transfers, or repatriation of profits. Foreign investors may own land, subject to various restrictions.

FINANCIAL FREEDOM — 60

Supervision of Norway's well-developed financial system is prudent, and regulations are largely consistent with international norms. Credit is allocated on market terms, and banks offer a wide array of services. The government retains ownership of Norway's largest financial institution, which accounts for 40 percent of assets. Reluctance to allow foreign ownership of the domestic financial sector has eased, and the Ministry of Finance has eliminated remaining barriers to the establishment of branches by foreign financial institutions. The banking and insurance markets are highly integrated due to mergers between banks and insurance companies. Prudential lending practices and sound regulations made it possible for the banking sector to withstand the global financial turmoil, although there was a temporary liquidity crisis. In October 2008, the government bailed out the Norwegian operations of two Icelandic banks, Kaupthing and Glitnir.

PROPERTY RIGHTS — 90

Private property and contracts are secure, and the judiciary is sound. Norway adheres to key international agreements for the protection of intellectual property rights. Internet piracy and cable/satellite decoder and smart-card piracy have risen, and enforcement of IPR protection is spotty.

FREEDOM FROM CORRUPTION — 79

Corruption is perceived as present. Norway ranks 14th out of 179 countries in Transparency International's Corruption Perceptions Index for 2008. Corrupt activity by Norwegian or foreign officials is a criminal offense, and anti-corruption laws subject Norwegian nationals and companies that bribe officials in foreign countries to criminal penalties.

LABOR FREEDOM — 47.1

Norway's labor regulations are rigid. The non-salary cost of employing a worker is moderate, but dismissing an employee is relatively difficult and costly. Regulations on work hours are relatively rigid.